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From:

Sent: Tuesday, October 05, 2010 8:41:11 AM

To:

Cc:

Subject: RE: TEFRA

1. On the issue of whether the recharacterization of a loan by Corp A to Partnership B is an affected item as to Corp A: The tax at the Corp A level is not an affected item because Corp A is not a partner in Partnership B and is not bound the B's treatment or determination of the amounts received from A. Affected items only exist with respect to partners.

2. Since Mom is not a partner in B, any deemed gift by her to the partners of B is not an affected item as to her. Thus, any gift tax would be asserted against her through a non-TEFRA notice of deficiency issued within her normal (non-TEFRA) period for assessment.